



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103



19 JUN 2000

SAAL-PS

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Performance-Based Service Acquisition (PBSA)
Implementation Plan

In his memorandum of April 5, 2000, Dr. Gansler asked us to develop a PBSA implementation plan to increase the use of performance-based service acquisition strategies. This policy memorandum directed that 50 percent of services acquisitions, measured in both dollars and actions, be performance-based by the year 2005. Additionally, Dr. Gansler indicated that our relevant workforce be trained in PBSA within the next year. The following reflects the implementation plan we provided to Dr. Gansler.

Since at least 1994, it has been the unambiguous policy of the Army to use performance-based contracting methods to the maximum extent practicable. Furthermore, the Federal Acquisition Regulation (FAR) clearly states that agencies shall use performance-based service contracting methods to the maximum extent practicable for the acquisition of services. The only exceptions to this requirement are for:

- a. Architect-Engineer (A-E) services
- b. Construction
- c. Utility services
- d. Services that are incidental to supply purchases

The May 15, 2000, memorandum from the Administrator of the Office of Federal Procurement Policy (OFPP) provides further clarification concerning various PBSA qualification criteria. This memorandum issued Amendment Four to the September 1997 Federal Procurement Data Systems (FPDS) Reporting Manual and implemented the Performance-Based Service Contracts (PBSC) requirements established by the Procurement Executive Council (PEC). Since the Individual Contracting Action Report, DD 350, feeds the FPDS, we have included these criteria into our implementation plan:



- a. A procurement action will be considered PBSC if 80 percent of the estimated obligations conform to minimum PBSC standards
- b. To the extent that a standard commercial service can be tied to performance requirements (FAR 12.202(b)), it will be considered PBSC.
- c. Contractor quality assurance systems may be substituted for PBSC-required Government quality assurance plans so long as they can be tied to measurable performance standards.
- d. The dollar threshold for reporting PBSC will be procurement actions with an estimated value over \$100,000.

As you know, beginning in May 1997, we began selectively classifying newly-awarded service contracts as PBSC, partial PBSC and non-PBSC. This manual procedure involved the classification of all newly awarded service contracts with an estimated value of \$250,000 or greater excluding contracts for construction, A-E, utilities and R&D. We chose to exclude R&D and to set the minimum threshold at \$250,000 in order to minimize the workload impact on our shrinking contracting workforce, while still depicting a representative and valid sample of services. Later in 1997, we amended the classification to include the type of contract (fixed price or non-fixed price). The analysis of our composite PBSA usage metrics for fiscal years (FY) 1998 and 1999 indicate that approximately 78 percent of these service contracts and 69 percent of these service contract dollars were either PBSC or P-PBSC. Furthermore, over 81 percent of these PBSC and P-PBSC contracts and almost 75 percent of the PBSC and P-PBSC contract dollars were awarded using fixed-price type contracts. It should be recognized that these figures reflect a total universe of over seven and one-half billion dollars worth of service contracts. We will continue to collect and analyze this data until the time that the Form DD 350 is appropriately revised to collect the PBSC information. Once the Form DD 350 is revised (currently scheduled for FY 2001), we will shift our PBSC usage metrics and the associated analysis to reflect these new criteria. Using the Form DD 350 to capture PBSA data will permit us to eliminate the current labor-intensive manual PBSA data submission and analysis. Perhaps most importantly, it will allow all of us to develop a true management tool by refining our metrics and analyses. *Each MACOM is required to ensure that a minimum of 50 percent of their service acquisitions, measured in both dollars and actions, are performance-based by the year 2005. In furtherance of this*

requirement, each MACOM is required to provide us with their initial plan to accomplish this goal. Your initial plans are due to us within six months of this memorandum.

While the Army is committed to meet or exceed the required 50 percent usage threshold by 2005, I recognize that challenges continue to exist especially in the areas of Research, Development, Test and Evaluation (RDT&E) and Contract Advisory and Assistance Services (CAAS). Unlike more traditional contracts for supplies or services, most RDT&E contracts are directed toward objectives for which the work or methods cannot be precisely described in advance. It is difficult to judge the probability of success or required effort for technical approaches. In the same vein, most CAAS efforts result in advice, analysis, consultation, recommendations and day-to-day support that may not be able to be adequately defined in performance-based terms. Accordingly, I have recommended that the Change Management Center sponsor a Rapid Improvement Team (RIT) to specifically address the issue of PBSA and its relationship to RDT&E and CAAS. Having these communities of practice collaborate in this manner should yield common solutions to common challenges.

Our latest PBSA initiative is the development of an Army Procurement Knowledge Center residing on our web page. Through a common environment and leveraged information technology infrastructure, our Knowledge Management (K-M) PBSA program will give Army acquisition personnel the tools required to increase information access, focus training opportunities and collaboration, improve and streamline programs, and overcome geographic, time and organizational boundaries. This PBSA K-M program is being developed through the use of contractor support and with the coordination of the DOD Change Management Center. We anticipate that this PBSC Knowledge Center will function as an interactive tool to assist us in our goal of using PBSA to the maximum extent practicable. Among other functions, this Knowledge Center provides links to appropriate FAR, DFARS and OFPP references, associated PBSA guidance, MACOM Subject Matter Experts (SMEs) and various sample PBSA PWSs and QASPs. As I have in the past, I continue to encourage you to provide us with your best examples of PBSA PWSs and QASPs so that they may be posted on our web site. Our PBSA Knowledge Center is currently under construction and we anticipate that it will ultimately be available on our web site at <http://acqnet.sarda.army.mil>. In the interim, I strongly encourage everyone to visit and use our prototype PBSA

Knowledge Center at <http://216.4.82.41/ap/>. You can register by clicking on the Register Tab on the left side of the page. This will establish your profile at the site. When you click on "most" of the main links from there on out, it will prompt you for your logon. Use the logon and password you established during registration.

For some time we have used contractor support to provide PBSA training to our Army acquisition community. The PBSA course taught by the BRTRC Institute evolved from an original Army requirement for a two-hour awareness module to a full-day instructional module. In addition to length, the course content has evolved from guidance based on the OFPP Best Practices Guide for PBSC to a robust discussion and practical exercise which challenges attendees to apply the concepts presented in training to a real-like scenario. The course continues to evolve and expand to incorporate ideas addressed by recent Rapid Improvement Teams (RITs). It should be noted that this course has been presented to over 1200 Army contracting and requiring activity personnel over the past two years.

I believe that the intent of PBSA training is to make sure that our workforce is current in the knowledge and skills required implementing PBSA to the maximum extent practicable while at the same time providing time-sensitive and mission-critical acquisition support to our customers. We will accomplish this goal by initially assuring that our core-contracting workforce is current in PBSA training within the required 12-month timeframe. Our core-contracting workforce is defined as all 1102's, 800's and FA 51C's (formally FA 97's) involved in contracting. In support of this goal we have linked the National Association of Purchasing Management (NAPM) and National Contract Management Association (NCMA) on-line PBSA training course to our aforementioned Army Procurement Knowledge Center web-site. A link to the on-line NAPM-NCMA course is at <http://ncma-napm.org>. We have also linked references to other PBSA training, to include the previously mentioned BRTRC Institute PBSA course and the Army's Roadshow V Module on PBSC. Since our Army Procurement Knowledge Center web-site was designed to be open-ended and interactive, our intent is to use this Knowledge Center as a PBSA resource and training tool for all acquisition personnel, not just our contracting workforce. In order to provide additional assistance in this area, I have attached course summaries of the on-line NAPM-NCMA PBSA course and the BRTRC Institute PBSA course to this memorandum. *Each MACOM is required to certify that their core-contracting workforce is current in PBSA within 12 months. This may be accomplished by assuring that your*

core-contracting workforce is current in the aforementioned NAPM-NCMA on-line PBSA course, or its equivalent, within 12 months. Within six months from the date of this memorandum, each MACOM must provide us with the interim PBSA training status of their core-contracting workforce.

Since 1994, we have provided PBSC guidance to a wide acquisition audience. This is evidenced by our briefing the Under Secretary of the Army on PBSC and the Military Deputy to the Assistant Secretary of the Army (Research, Development and Acquisition) sending a memorandum to all Program Executive Offices (PEOs). This memorandum provided the senior leaders in our acquisition community with PBSC guidance and indicated the Army's commitment to fulfilling PBSC requirements. We plan on providing the latest PBSA guidance, associated criteria, and implementation plan to all our PEOs, as well as the wider acquisition community.

We anticipate that our program will promote the spread of performance-based contracting by facilitating communication across functional groups, MACOMs, and agencies. We believe that the development of our PBSA Knowledge Management PBSA Center will prove to be a significant component in our implementation plan, allowing us to use PBSA methods to the maximum extent practicable while maintaining our high level of customer support in a time of continued downsizing. Thank you in advance for your effort and contributions.

The SARDA point of contact for this action is Mr. Robert Friedrich, SAAL-PS, (703) 681-7577, fax -7580, e-mail friedrir@sarda.army.mil.



Kenneth J. Oscar
Deputy Assistant Secretary of the Army
(Procurement)

Enclosures

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Introduction:

This course was developed, prepared, and is offered for the widespread and multifunctional acquisition workforces of Government and industry. You can learn about Performance-Based Service Acquisition (PBSA) through a practical, hands-on curriculum that emphasizes how you do PBSA, and does not merely present content material defining what it is.

While this is an entry-level offering for PBSA, the learner should already:

- Understand the fundamental requirements for acquiring goods and services under the Federal Acquisition Regulation (FAR) Part 15 (Contracting by Negotiation)
- Review the definition for "Commercial Item" under FAR 2.101

The Opportunity:

This special 24 hour educational opportunity challenges learners to participate proactively in the planning, development, and execution of a performance-based service contract (PBSA). Performance-Based Service Acquisition is a major initiative of the Federal Government. This initiative is intended to bring about practical acquisition reform throughout the Federal Establishment. PBSA offers the public and private sectors an opportunity to:

- Engage in best-value contracting
- Utilize effective partnering arrangements
- Establish innovative performance incentives
- Work together in realizing beneficial cost reductions

Working as partners, the National Association of Purchasing Management (NAPM) and the National Contract Management Association (NCMA) have developed and will operate this unique educational opportunity for the government. The program development work also included contributions from the Department of Defense.

The Teaming Challenge:

The course is a self-directed, asynchronous web-based learning course which you can take anywhere at anytime because it's available 24 hours, seven days a week. Although you may prefer to work alone, you can also register as part of a team. Team size can vary and should support agency activities and other requirements.

Or, you can complete it individually at your own pace, and determine your own path through the program. (If you are unfamiliar with the material, a suggested path is emphasized.) However, by teaming with others in your organization you will experience the benefits of collaboration with other learners and share knowledge with colleagues in other organizations which will expand your viewpoint of the subject matter.

The Learning Challenge:

First, you'll notice the challenging concepts of Performance-Based Service Acquisition are presented in a series of lessons.

- Performance-Based Service Contracting in a Teaming Environment
- Requirement Determination and Market Research
- Business and Compensation Arrangements
- The Job Analysis Process
- Performance Work Statements (PWS) or Statements of Work (SOWs) and Performance Measurement
- Concerns and Issues of PBSA Solicitation
- Post-Award Administration
- Contract Closeout

Next, you will see and click on smaller bits of information called learning objectives within each lesson. These learning objectives explain the concepts and may be followed by short learning activities that allow

you to practice and test your knowledge. To keep track of your progress through the program, look for the check marks by each section of material you have successfully completed. At various times during the program, you will be given a choice to either continue with the content, or practice the skills and concepts you've learned by solving problems in true-to-life case scenarios.

The Process:

PBSA is a self-administered, linear, asynchronous, web-based learning program. Registration is controlled and the program tracks progress by participants and commands. The data generated will be available to commands and administrators to evaluate participant progress in the program.

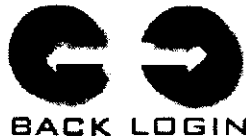
The Results:

- After completing this program, learners will be able to participate productively in the
- Planning
 - Development , and
 - Execution of a performance-based service contract.

Participants will receive a certificate of completion for 24-hours of educational credit upon completion of this program.

Administration:

The instructional program is available 24 hours every day. Although participants may work alone, it is always beneficial when personnel register and go through the course in teams. Team size can vary and should support agency activities and other requirements. If you have questions, or encounter any problems with registration, please call NAPM's customer service department at 800/888-6276, extension 3072. The cost per participant is \$100.



Performance-Based Work Statements

LENGTH/TYPE 8 Hour - Seminar/Exercise

SCOPE: This seminar presents Performance Work Statements to communicate Army services requirements, and the critical steps to creating them. The presentation begins with an evaluation of current Army use of performance-based contracts. The lecture introduces FAR-based changes in performance-based requirements, their effect on the procurement process and the advantages of performance requirements to streamline acquisitions. Requirement determination, job analysis and market research identify the Army's requirements. Business practices in industry sectors are highlighted. Techniques are offered to identify and reduce "how to" or point solutions in statements of work allowing industry to propose innovative solutions. Quality control, surveillance plans, metrics, and Quality Assurance Evaluator (QAE) guides are included in the discussion. Learning objectives are reinforced through an integrated practical exercise.

OBJECTIVES: At the completion of this seminar, the participant will be able to:

1. Understand the Federal Acquisition Regulation guidance for performance-based services.
2. Apply performance-based techniques such as job analysis to draft new requirements or convert existing statements of work to performance work statements.
3. Identify interface requirements and incorporate them into performance work statements.
4. Identify the purpose and composition of a Performance Requirements Summary
5. Given an exercise scenario:
 - a. Use a 4-Step process to determine requirements and performance standards.
 - b. Critique sample statements of work and develop performance work statements.
 - c. Recognize the importance of Quality Control plans and their integration into the Government surveillance plan.
 - d. Develop sampling guides and identify appropriate contract incentives to support PWS.
 - e. Use a Performance Requirements Summary

MATERIALS:

Presentation Charts
Practical Exercises/Solutions

Please Contact:
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